

ECONOMIC VIABILITY OF THE FUND

Act 817 of the 1975 Legislature created the Patient's Compensation Fund (PCF). The PCF has always labored to attain the position where it functions in a manner that combines quality claims administration with stable surcharge rates.

If the Patient's Compensation Fund (PCF) were compared to a traditional insurance company, one might question the fiscal soundness of the entity. However, the Patient's Compensation Fund is not an insurance company. It is a legislatively created entity designed to make medical malpractice coverage available to private health care providers at a reasonable price and to compensate those unintentionally injured as a result of what is determined to be medical malpractice. Since its inception in 1975, the PCF has consistently met all its obligations by paying all settlements and judgments in full. In addition, the financial status of the PCF has significantly improved since 1990 when the Oversight Board was created by the state legislature.

The PCF's fiscal strength is subject, in part, to surcharge collections, which are the fees charged to the private health care providers that choose to enroll in the PCF. Participation in the PCF is not mandatory. A health care provider can choose to forego the benefits of the Act, namely the Medical Review Panel and the cap on damages by not enrolling.

An annual actuarial study is done to determine the adequacy of rates. The recommendations of the actuary are utilized by the Board to create the necessary rates to meet our statutory mandated fund levels and to lower the amount of the Fund's unfunded liability.

The public is allowed and encouraged to participate in all Board discussions. Normally, at the August meeting, a determination is made as to whether a rate increase is needed and the amount recommended is justified. Requests for rate increases must be presented to and approved by the Louisiana Department of Insurance. There have been years in the past in which the Louisiana Insurance Rating Commission has denied proposed rate increases by the Oversight Board. There have been 17 approved rate increases since January 1989, resulting in rates actually being increased about 600% for physicians and 620% for hospitals from 1987 to 2009. The continued participation by private health care providers in the PCF, despite these substantial rate increases, evidences the private health care providers' commitment to the program and the Oversight Board's determination to maintain a sound and reliable fund.

Since 1990, when the Oversight Board began managing the PCF, the amount of funds collected from the health care providers totals \$1,641,486,337 with payments to claimants of \$1,243,210,397. During this time, the PCFOB increased the overall fund balance from \$29,000,000 to \$550,000,000.

The Oversight Board continues to strive to improve the financial status and stability of the PCF. The PCF now substantially exceeds the mandated statutory minimum. It is and has always been the vision of the PCF Oversight Board to continue to close the gap between outstanding liabilities and current assets without burdening enrolled health care providers with excessive annual rate increases. This is important to Louisiana which needs stable

and affordable surcharges which will still provide for sufficient and fair compensation to those persons who are entitled to such compensation. In August 2008, the PCFOB voted to raise rates by 5% for enrollments renewing effective January 1, 2009, which resulted in 20% of the collections going towards the unfunded liability. For rates effective as of January 1, 2010, 15% of the overall collections will go towards the unfunded liability. The PCFOB's actions have resulted in a steady increase in funds and a decrease in the unfunded liability, while at the same time attempting to keep surcharge rates at reasonable levels for private health care providers. This effort is vital to this State as it encourages health care providers to continue to practice in Louisiana and serve our citizens.